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Senate

COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT OF 2001

Mr. CARPER. Mr. President, I had the privilege of presiding over the Senate during the last hour and listening to debate on two measures, including the measure the Senator from Nebraska has raised, the change in the railroad retirement system. We had considerable discussion on the economic stimulus package which has been debated in the Senate and passed in the House. I will take a few minutes and share a word about each of these.

The Senator from Nebraska was a Governor and a former insurance commissioner of his State. In my previous life, I served as Governor of my State and also State treasurer. During that period of time we established the first cash management system for the State of Delaware. We had good, sound, progressive policymaking with respect to pension investments. We took a pension system that was not funded, a pay-as-you-go system, fully amortized it and strengthened the State's financial condition considerably. Basically, the State had money in accounts that did not earn much at all, the equivalent in some cases of Treasury rates, and we ended up developing a policy that enabled us to invest those moneys at market rates in things other than U.S. Treasuries or CDs of the bank.

Part of what is proposed in this railroad retirement plan is: Take the money that has been set aside, paid into by the railroads themselves and by the railroad employees; that can only be invested in U.S. Treasury

obligations. Let's give them the opportunity--not imprudently, but under the kinds of safeguards we have in Delaware, Nebraska, and South Dakota, as well, for State pension moneys--to invest those moneys on behalf of railroad employees, pensioners, and their survivors, in something other than U.S. Treasury obligations.

If you look at the performance of mutual funds, the stock market, the corporate bond market, over time they will outperform Treasuries. Under that plan, given a prudent investment policy, we will be able to see a higher rate of return from those investments than currently realized in the investments under the current railroad retirement plan.

We could have a good debate, and we ought to, about some other aspects of this bill--which I cosponsored and I very much want to see come to the floor for debate and discussion. Some of our colleagues have raised concerns about reducing the retirement age for those under the railroad retirement plan from 62 to 60.

We could have a legitimate discussion over whether that reduction should be a graduated reduction to see if the money in the pension fund holds up. We could have a good discussion and debate about that. We ought to. We could have a good discussion about the issue of whether or not we ought to reduce all at once the payroll tax paid by the employers by the railroads. Maybe that is a reduction that should be phased in over a longer period of time. Again, this is a perfect

issue to debate and seek middle ground. We should have a debate over whether or not the survivor benefits should go immediately to 100 percent of the benefit of the deceased railroad retiree or whether that, again, should be phased up over time.

Railroad retirement is not Social Security. It is not the same as Social Security. I don't believe it was ever intended to be. Railroad retirement predates Social Security and has been around longer than Social Security. There are two aspects of railroad retirement, one called tier 1, which is comparable to Social Security.

But another aspect is called tier 2, which provides, if you will, more of a private sector dimension. What we have in railroad retirement is a hybrid of Social Security and a private pension plan.

People say we cannot make some of the changes that are envisioned here with the railroad pension plan because they are not consistent with what we are doing in Social Security. A lot of private retirement plans let people retire at age 60. A lot of private retirement plans allow employees to retire with benefits after 30 years of service. A lot of them provide that benefit at age 60 with 30 years of service, and that is what is being proposed here.

We can, I guess, debate for some time whether or not this is the right time to bring this issue up. It is not a partisan issue. It has been suggested it is partisan and divisive. It is not a partisan issue. I believe 380 Members of the House voted for this bill earlier this year. There are 74 cosponsors to the measure in the Senate. The cosponsors come from both sides of the aisle. This is not a partisan issue. This is a bipartisan issue which seems to enjoy pretty good support in both Houses of the Congress, and also has the attractiveness, at least to me, that both rail labor and the railroads themselves support this bill.

Enough on this measure. We are going to have a vote on cloture. We will have an opportunity to vote whether or not to move to the bill. I hope we do, and I hope when we do we will have an opportunity to actually discuss and debate some of the issues that our Republican friends have raised earlier this afternoon. I think we can find some middle ground that augurs well for those who are working in the railroad industry, those who are retired from the railroad industry and for their survivors, and one that is not unfair to the taxpayers of this country.

Let me mention one other thing before I yield my time and that is on the economic stimulus package. This is a debate and an issue which cries out for a reasonable compromise. Several of the elements of a reasonable compromise have been suggested today. I want to go back to them, if I may.

Senator Domenici, along with Senator Corzine and others, has come forward with I think a perfectly reasonable proposal on a payroll tax holiday whereby for 1 month neither employers nor employees would pay the Social Security payroll tax. The employees would keep that money in their paychecks. It would help people who are poor and also people who are not poor, but it would disproportionately help people at the lower end of the income spectrum. In addition, the employers would not pay their share of the payroll tax. It would help those businesses that are small and those that are not so small. I think disproportionately it might help those that are small more than those that are large. That idea, the idea of a payroll tax holiday for 1 month, if it were offered in lieu of the proposal to provide additional payroll tax rebate checks, in lieu of an expedited reduction in the 27 percent rate, and in lieu of an expedited expansion of the 10-percent bracket--that idea could be a very good compromise to bring Republicans and Democrats together.

The payroll tax holiday has the added virtue, frankly, of helping States. Like other employers, States pay payroll taxes for their State employees. If they had a 1-month holiday, it would help most States. My State is not hurting as badly as others. The unemployment rate is well below average, but we are hurting too, and my guess is so is South Dakota and others. A payroll tax holiday would also provide money in the pockets of people who are very likely to spend it, and we need some of that stimulus.

Another of the elements I want to mention today to provide a bridge between Democrats and Republicans on economic stimulus deals with what is called bonus depreciation, accelerated depreciation for capital investments that are made over the next 1, 2, or 3 years. Several principles were outlined for us in an agreement adopted earlier this fall by Democratic and Republican leaders of the House and Senate Budget Committee. Among those principles that were agreed to are these: the economic stimulus package should have an immediate impact; it should not have a long-term adverse consequence for a balanced budget; and it should be temporary in nature. The leaders of the budget committees agreed that all measures in the stimulus package should sunset in one year, to the extent practicable. If we take those three criteria and look at this notion of accelerated depreciation in order to stimulate capital investment, I think a compromise lies between what the House has agreed to and what the Senate is contemplating.

If you look at the history of the last 12 months or so in this country as our economy has wound down, one of the things that has happened is we have seen a drying up of capital investment. There is a proposal offered by our Republican friends that says let's provide a 30-percent writeoff, 30-percent bonus depreciation for investments made over a 3-year period for companies that

make those kinds of investments.

Senator Baucus, in his proposal, said we should provide a 10-percent depreciation bonus over a 12-month period of time. There is plenty of room to compromise between 10 percent and 30 percent, and I suggest 20 percent might be that compromise for accelerated depreciation, bonus depreciation if you would. As for the time period, we should stay true to the 1-year figure, as Senator Baucus has proposed and as the budget committee leadership suggested.

The third measure I have to offer as a compromise between Democrats and Republicans deals with a proposal I heard from Senator Collins of Maine and Senator Lieberman of Connecticut that we adopted in the Congress before I got here, in 1993. It is a proposal to encourage investment in small cap companies, those whose capitalization is \$50 million or less. Those who hold investments in these companies--securities issued by those companies, issued for 5 years--the 1993 law promised a reduction by one-half in the capital gains tax. As it turns out, because of the alternative minimum tax that is in place, the practical effect of the incentive offered by the 1993 law is for the most part moot. There is just not much of an incentive anymore, especially when the capital gains rate is taken down to 20 percent.

I offer this. Look at a proposal offered by Senator COLLINS, cosponsored by Senator Lieberman, to make the 1993 law work. That proposal says let's make the 1993 law work by taking away the effect of the alternative minimum tax for those who make investments in accordance with the 1993 law.

Those are three potential compromises which I think might bring us a little closer together as we try to work out some compromises. I hope we can get to work on this Railroad Retirement Act and hammer something out on that as well.